



International Trademark Association
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Testimony of Anne Gundelfinger

President

International Trademark Association

H.R. 683

Trademark Dilution Revision Act of 2005

**Before the Subcommittee on Courts, the Internet and Intellectual Property
Committee on the Judiciary
United States House of Representatives**

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I. Introduction

Good morning, Mr. Chairman. My name is Anne Gundelfinger. I am associate general counsel and director for trademarks & brands and corporate marketing legal affairs at Intel Corporation. I serve as president of the International Trademark Association (INTA). As do all INTA officers, board members and committee members, I serve INTA on a voluntary basis.

INTA supports your bill, Mr. Chairman, H.R. 683, the Trademark Dilution Revision Act of 2005. We are grateful for your leadership. INTA agrees that adoption of this legislation will provide a narrower, clearer, and more focused statute that addresses the specific harm of dilution, while providing owners of famous marks a provable cause of action. At the same time, the legislation protects free speech. Our position is based on a comprehensive study of dilution law that was undertaken by a select committee of trademark experts and subsequently approved by our board of directors. The select committee was organized after the U.S. Supreme Court decision in *Moseley v. V Secret Catalogue, Inc.*,¹ in which the court addressed a number of dilution issues, particularly the standard of proof for a dilution claim.

INTA is a 127-year-old not-for-profit organization comprised of over 4,500 members. It is the largest organization in the world dedicated solely to the interests of trademark owners. The membership of INTA, which crosses all industry lines and includes manufacturers, service providers, and retailers, values the essential role that trademarks play in promoting effective commerce, protecting the interests of consumers, and encouraging free and fair competition. INTA has a long history of making recommendations to the Congress in connection with federal trademark legislation, including: the Trademark Law Revision Act of 1988,² the Anticybersquatting Consumer Protection Act of 1999,³ the Trademark Law Treaty,⁴ the Madrid Protocol Implementation Act,⁵ and most recently the Fraudulent Online Identity Sanctions Act.⁶

¹ 123 S. Ct. 1115 (2003).

² See 134 Cong. Rec. S. 16974 (daily ed. Oct. 20, 1988) (statement of Sen. DeConcini).

³ See, e.g., S. Rep. No. 106-140, 106th Cong. 1st Sess. (1999) (relying on statements by INTA's president made before the Senate Judiciary Committee).

⁴ See H.R. Rep. No. 412, 106th Cong. 1st Sess. (1999).

⁵ See 126 Cong. Rec. S. 9690 (daily ed. October 1, 2002) (statement of Sen. Leahy).

⁶ See Legislative Hearing on H.R. 3754, the Fraudulent Online Identity Sanctions Act, February 4, 2004, at <http://judiciary.house.gov/Hearings.aspx?ID=57> (testimony of J. Scott Evans, chair, INTA Internet Committee).

II. Dilution and the History of the FTDA

The Federal Trademark Dilution Act (FTDA) became law on January 16, 1996.⁷ INTA was a leading proponent of its passage.⁸ We felt that a federal statute for enhanced protection of famous marks from dilution was needed because famous marks “foster a lasting psychological grip on the public consciousness,”⁹ have a value that is “incalculable,”¹⁰ and possess an “unseen but dynamic pull”¹¹ on consumers. Famous marks “are the voices of American assurance, the best America has to offer, and carry a certain sense of history.”¹²

Because of their qualities, famous marks are the marks most “susceptible to irreversible injury from promiscuous use.”¹³ In particular, extremely well-known marks generate copying; third parties adopt such marks for their own goods and services much more frequently, not necessarily to deceive, but rather for the positive associations that such marks carry. A classic example of conduct that would constitute dilution, as used by Frank I. Schechter in his 1927 seminal article on trademark dilution, would be KODAK for bathtubs and cakes.¹⁴ The injury that occurs is the “gradual whittling away or dispersion of the identity and hold upon the public mind of the mark or name by its use on non-competing goods.”¹⁵

Accordingly, the FTDA does not rely upon the standard test of infringement, that is, the likelihood of confusion, deception, or mistake. Rather, the FTDA provides equitable relief to the owner of a famous mark against another person’s commercial use of a mark or trade name that lessens the “distinctive quality of the [famous] mark,”¹⁶ “regardless of the presence or absence of (1) competition between the owner of the famous mark and

⁷ Pub. L. No. 104-98, 109 Stat. 505 (1995).

⁸ See H.R. Rep. No. 104-374, 104th Cong. 2nd Sess. (1995) (noting use of testimony from INTA’s executive vice president).

⁹ The United States Trademark Association, *The United States Trademark Association Trademark Review Commission Report and Recommendations to USTA President and Board of Directors*, 77 Trademark Rep. 375, 455 (1987).

¹⁰ *Id.*

¹¹ *Id.*

¹² Steve Hartman, *Brand Equity Impairment – The Meaning of Dilution*, 87 Trademark Rep. 418, 420 n.5 (1997).

¹³ *Supra* note 9 at 455.

¹⁴ Frank I. Schechter, *The Rational Basis of Trademark Protection*, 40 Harv. L. Rev. 813 (1927), as reprinted in 60 Trademark Rep. 334, 344 (1970).

¹⁵ *Id.* at 342

¹⁶ 15 U.S.C. § 1125(c)(1).

other parties, or (2) likelihood of confusion, mistake or deception.”¹⁷ The statute also sets forth criteria that a court should consider in determining whether a mark is famous;¹⁸ establishes an injunction as the primary form of relief;¹⁹ and provides statutory defenses to a dilution claim.²⁰ In 1999, Congress added dilution as grounds for opposition to a trademark application and cancellation of a trademark registration.²¹

III. The Need for Revision of the FTDA

The owners of famous trademarks are indeed grateful for the protection that the FTDA has provided for their intellectual property. The FTDA has provided some measure of relief and has put others on notice that adoption of famous marks as their own is impermissible. But now, more than nine years after passage of the FTDA, a Supreme Court decision interpreting the statute, and numerous lower court decisions that demonstrate division on key dilution-related concepts, trademark owners believe it necessary to step back and evaluate America’s trademark dilution law. Our evaluation has revealed the following:

(1) A Problematic Standard for Proving Dilution. First and foremost, dilution, as a practical matter is very difficult to prove under the current statute. Congress has provided a cause of action to remedy the harm of dilution, and the Supreme Court has interpreted it in a manner that makes it at best ambiguous and at worst nearly impossible to establish. The requirement imposed by the Supreme Court in the *Moseley* decision that “actual dilution” be proved would seem to require a showing that measurable dilutive harm has occurred, *i.e.*, that the mark has been measurably impaired.²² However, such a standard is completely at odds with Congress’ intent – to prevent dilution at its incipency, before measurable damage to the mark has occurred.²³ By the time measurable, provable damage to the mark has occurred much time has passed, the damage has been done, and the remedy, which is injunctive relief, is far less effective.

¹⁷ *Id.* at § 1127.

¹⁸ *Id.* at § 1125(c)(1)(A)-(H).

¹⁹ *Id.* at § 1125(c)(1).

²⁰ *Id.* at § 1125(c)(4)(A)-(C).

²¹ Pub. L. No. 106-43.

²² The Supreme Court did allow that measurable harm may not need to be proved by direct evidence in cases where the junior mark is “identical” to the senior mark, but expressly refused to elaborate on what proof would be required. *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115 at 1124.

²³ H.R. Rep. No. 104-374, *supra* note 8 (“The [dilution] provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark. ... [D]ilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.”) (citation omitted).

(2) Division On What Constitutes a Famous Mark. While Congress explicitly limited the scope of the FTDA's protection to "famous" trademarks, the statute does not define "fame." Instead, there are eight nonexclusive factors that a court may consider when determining a trademark's fame. As a result, courts are hopelessly split on what constitutes a famous mark. Courts in six of the twelve federal circuits, for example, have adopted a niche market theory of fame, which allows owners to protect trademarks from dilution if they can prove fame in a particular consumer market or localized area, even if the market or area is quite small and not widely known to consumers.²⁴ In contrast, courts in three other circuits have specifically rejected niche market fame, instead requiring that a mark be well-known in a broad geographic area or market.²⁵ Courts in the remaining three circuits have not yet addressed whether niche fame is sufficient to support a dilution claim.²⁶

(3) A Split on Whether to Protect Famous Marks with Acquired Distinctiveness. At least one court has specifically reserved protection under the FTDA only for those famous marks that are inherently distinctive, namely marks that are coined, arbitrary or suggestive, *e.g.*, KODAK, and has held that marks that were initially descriptive but have acquired distinctiveness or "secondary meaning" simply do not qualify (no matter how well-known they are).²⁷ The majority of courts, in contrast, have held that a famous mark that has acquired distinctiveness through many years of extensive sales, advertising and/or promotion, is also worthy of protection against dilution.²⁸

(4) A Question on Whether Tarnishment Is Covered Under the FTDA. Tarnishment, along with blurring, has long been regarded by trademark scholars as one of the "two different dimensions" of dilution.²⁹ And, in fact, the legislative history for the FTDA

²⁴ The niche market theory of fame has been accepted by courts in the following circuits: Third (*Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157, 166 (3d Cir. 2000)); Fourth (*Rhee Bros., Inc. v. Han Ah Reum Corp.*, No. CIV. AMD 01-1894 (D. Md. 2001)); Fifth (*Advantage Rent-A-Car, Inc. v. Enterprise Rent-A-Car*, 238 F.3d 378, 381 (5th Cir. 2001)); Sixth (*NBBJ East Ltd. P'shp v. NBBJ Training Acad., Inc.*, 20 F. Supp. 2d 800 (S.D. Ohio 2001)); Seventh (*Simon Property Group, L.P. v. mySimon, Inc.* (2000 WL 1206575 (S.D. Ind. 2000))); and Ninth (*Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894 (9th Cir. 2002)).

²⁵ The niche market theory has been rejected in the following circuits: Second (*TCPIP Holding Co. v. Haar Comms., Inc.*, 244 F.3d 88, 99 (2d Cir. 2001)); Eighth (*Heidi Ott A.G. v. Target Corp.*, 153 F. Supp. 2d 1055 (D. Minn. 2001); and Eleventh (*Caruso & Co., Inc. v. Estafan Enters., Inc.*, 994 F. Supp. 1454 (S.D. Fla.), *aff'd without dec.*, 166 F.3d 353 (11th Cir. 1998)).

²⁶ First, Tenth and Federal Circuits.

²⁷ *TCPIP Holding Co. v. Haar Comms., Inc.*, 244 F.3d 88, 95 (2d Cir. 2001).

²⁸ See, *e.g.*, *Ringling Bros.-Barnum & Bailey Combined Shows, Inc. v. Utah Div. of Travel Dev.*, 955 F. Supp. 605 (E.D. Va. 1997), *aff'd*, 170 F.3d 449 (4th Cir. 1999); *Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C.*, 212 F.3d 157 (3d Cir. 2000). See also *Binney & Smith v. Rose Art Indus.*, 60 U.S.P.Q.2d 2000 (E.D. Pa. 2001) (establishing fame of Crayola color scheme, citing over \$200 million in advertising expenditures over five years, as well as advertising dating back forty years).

²⁹ 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 24:67, at 24-128 (4th ed. 2003). See also 2 Jerome Gilson, *Trademark Protection and Practice* § 5A.01[2], at 5A-7 (December 2003).

specifically states that the statute covers tarnishment.³⁰ However, in the *Moseley* decision, the Supreme Court in *dicta* questioned whether dilution by tarnishment is actionable. This comment was based on the statutory language “dilution of the distinctive quality of the famous mark,” which, in the view of the court, might not go to injury to the reputation of a famous mark, the underlying concept of dilution by tarnishment.³¹

As the examples above demonstrate, dilution law in the United States is moving in every direction except the one that it needs to – forward. Of even greater concern is the Supreme Court’s holding on the requirements for proving a dilution claim. All the while, famous marks and their value both to consumers and their owners remain at risk from blurring and tarnishment, and third parties have little guidance regarding what marks they can safely adopt without risk of dilution liability. The lack of clarity in the law and the splits in the various circuits are resulting in forum shopping and unnecessarily costly lawsuits. For these reasons a revision of dilution law is needed.

IV. H.R. 683 Provides For a Clear, Well-Defined Direction for Deciding Dilution Cases

H.R. 683 builds on the lessons we have learned and puts dilution law on the right path. Like the existing FTDA, it recognizes that famous marks require special protection because of the “abundant good will and consumer loyalty”³² they inspire and because they are the targets of copying and promiscuous use. But, unlike the current statute, the legislation makes sure that dilution will not be treated as a just another claim to be added to a lawsuit. Instead, as I noted earlier, with the passage of H.R. 683, America’s trademark dilution law will be narrower, clearer, and more focused on addressing the specific harm of dilution, while providing owners of famous marks a provable cause of action, and protecting free speech. To explain why INTA believes this to be the case, I have divided our analysis of the bill into four sections: “Qualifications for Protection,” “Blurring and Tarnishment,” “Safeguarding Free Speech,” and “Relief and Preemption.”

A. Qualifications for Protection

1. Standard for Fame

³⁰ H.R. Rep. No. 104-374, *supra* note 8 (“The purpose of H.R. 1295 is to protect famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it.”).

³¹ *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115 at 1124 (citing 15 U.S.C. § 1125(c)(1)). Also, trademark professionals had previously raised the same concern. *See, e.g.*, Miles J. Alexander, “Dilution Basics,” Law and Contemporary Problems, reprinted and delivered at the INTA Dilution and Famous Marks Forum, March 5-6, 1997, 15. (“[T]he definition of dilution in the federal statute does not specifically mention such a negative association [with the famous brand].”).

³² 2 Gilson, *supra* note 29, § 5A.01[4][a], at 5A-10 (July 2004).

H.R. 683 correctly remedies the judicial schism identified above on what is meant when we use the phrase “famous mark.” It is explicitly and necessarily narrow in scope. The proposed definition protects **only** those marks that are “widely recognized by the general consuming public of the United States.” This new, clear standard will ensure that the broad protections against dilution provided for in the statute are available only to a limited group of marks that are genuinely famous and for which promiscuous use would be most damaging.³³

Under the proposed standard, marks that are famous in a niche product or service market or that are recognized only in a limited geographic region will not qualify for federal dilution protection. For localized famous marks, state dilution laws can afford adequate protection of the senior user’s mark; for marks used only in narrow industries and known only to narrow ranges of consumers, infringement and unfair competition laws, such as section 43(a) of the Lanham Act, will provide appropriate protection.

2. Factors for Determining Fame

The current FTDA fame factors that a court may consider are, but are not limited to:

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods or services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the mark’s owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.³⁴

H.R. 683 proposes that the existing fame factors be simplified and replaced with non-exclusive factors that are more narrowly focused on identifying marks that are “widely recognized by the general consuming public of the United States.” These factors are:

- (A) the duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties;
- (B) the amount, volume, and geographic extent of sales of goods or services offered under the mark; and
- (C) the extent of actual recognition of the mark.

³³ “[A] dilution injunction ... will generally sweep across broad vistas of the economy.” *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 905 (9th Cir. 2002).

³⁴ 15 U.S.C. § 1125(c)(1).

We agree with these proposed changes. The first and second factors reflect traditional concepts of marketplace recognition that courts have applied for decades in determining fame, and they incorporate some of the existing factors. The third factor, “the extent of actual recognition of the mark,” is meant to incorporate survey evidence, market research such as brand awareness studies, and unsolicited media coverage, and other evidence of actual recognition.

Some of the factors contained in the current statutory test are omitted from H.R. 683. This is acceptable since they are already accounted for in the definition itself, or are, in our view, not relevant to the issue of fame. For example, since the proposed definition of fame specifies that the mark must be “widely recognized by the general consuming public of the United States,” the current factors dealing with the geographic extent of use and recognition in the junior user’s trading area and channels of trade are no longer necessary. Because the mere existence of a registration is really not relevant at all to the question of fame, we agree that it should be omitted as well.

H.R. 683 also correctly resolves the split in the circuits identified above as to whether marks with acquired distinctiveness can be protected against dilution. The bill makes clear that marks with acquired distinctiveness can be protected. We agree that a mark with acquired distinctiveness should be worthy of protection against dilution, as long as the other prerequisites for dilution protection can be met.³⁵

B. Blurring and Tarnishment

In INTA’s opinion, famous marks should be expressly protected by statute from the likelihood that they will be either blurred or tarnished. H.R. 683 is clear on what constitutes a likelihood of dilution by blurring and what constitutes likelihood of dilution by tarnishment.

1. The Incipient Nature of Dilution

As noted above, the Supreme Court ruled, “the text [of the FTDA] unambiguously requires a showing of actual dilution, rather than a likelihood of dilution.”³⁶ In particular, the court cited Section 43(c)(1) of the Lanham Act, which provides that “the owner of a famous mark” is entitled to injunctive relief against another person’s commercial use of a mark or trade name if that use “**causes dilution** of the distinctive quality” of the famous mark.³⁷ The court did, however, hold that proof of actual dilution does not require a showing of the economic consequences of dilution, such as lost sales or revenues.³⁸ Unfortunately, the court provided little guidance on how one might prove actual dilution.

³⁵ See text accompanying *supra* note 28.

³⁶ *Moseley v. V Secret Catalogue, Inc.*, 123 S. Ct. 1115 at 1124.

³⁷ *Id.*, citing 15 U.S.C. § 1125(c)(1) (emphasis added).

³⁸ *Id.* (commenting on the ruling of the Fourth Circuit in *Ringling Bros. – Barnum & Bailey Combined Shows, Incorporated v. Utah Division of Travel Development*, 170 F.3d 449 (4th Cir.1999)).

INTA submits that a dilution cause of action should not require hard proof of actual damage to the mark. This approach, which the Supreme Court appears to have adopted based on the language of the existing FTDA, does not account for the need to prevent dilution at its incipiency, the core concept underlying the dilution remedy and the express intent of Congress in enacting the FTDA.³⁹ In the opinion of INTA, the owner of a famous mark should be able to obtain an injunction against the first offending use because even the first use begins the process of dilution, regardless of whether that use has yet resulted in provable damage to the mark. Because dilution is a process by which the value of a famous mark is diminished over time, either by one or multiple users, the owner of the famous mark should not be required to wait until the harm has advanced so far that the damage is already done.

Moreover, if the owner of a famous mark must wait years to challenge the multiple uses that have entered the marketplace in the interim, the defendants in those cases will be poorly served as well. Junior users will have invested in the diluting marks over the course of time, placing their accrued goodwill in great jeopardy. And, given the great hardship that a junior user could suffer as a result of delay in challenging such a mark, a court could apply the laches defense, effectively eviscerating the protections of the dilution statute. The present FTDA, as interpreted by the Supreme Court, thus presents the plaintiff with a Catch 22: sue too early and lose because the harm is not yet provable, or sue too late and lose on laches grounds.

Finally, we also note that the Lanham Act does not require a showing of actual confusion to support infringement; a plaintiff does not need to show actual confusion or lost sales. Likewise, famous marks should not need to show an actual damage to the mark before qualifying for dilution protection.

H.R. 683 expressly establishes the right standard for proving a dilution claim ? a **likelihood of dilution** standard. A likelihood of dilution standard is the most practical way to express the incipient nature of dilution in a manner a court will understand; that is, that the junior use is likely to cause dilution (whether by blurring or by tarnishment) if allowed to continue unchecked.

2. Dilution by Blurring

H.R. 683 proposes a new statutory approach to addressing a claim of likelihood of dilution by blurring. The bill would require the owner of a famous mark to prove a

³⁹ H.R. Rep. No. 104-374, *supra* note 8 (“The [dilution] provision is intended to protect famous marks where the subsequent, unauthorized commercial use of such marks by others dilutes the distinctiveness of the mark. ... [D]ilution is an infection, which if allowed to spread, will inevitably destroy the advertising value of the mark.”) (citation omitted).

likelihood of association between its mark and the junior mark, arising from the similarity of the marks, which would impair the distinctiveness of the famous mark. Under this test, not just any mental association will suffice – it must be an association that arises from the similarity or identity of the two marks, as opposed to an association that arises because of product similarities or competition between the owners of the two marks, or for some other reason. Moreover, it is association that is likely to impair the distinctiveness of the famous mark in the marketplace.

INTA supports this test. In particular, we agree that likely impairment of a famous mark's distinctiveness should be the measure used by courts in blurring cases. Courts have long understood that the principal harm caused by dilution by blurring is the whittling away of a mark's distinctiveness.

In this context, we refer not merely to the degree of inherent distinctiveness, but rather its overall distinctiveness in the marketplace. A mark must have distinctiveness in the marketplace in order to be capable of being diluted. This marketplace distinctiveness arises from the mark's degree of inherent distinctiveness, its degree of fame, and the degree to which it has been substantially exclusively used, all of which contribute to its association with a single source and/or particular brand attributes. The more the famous mark is inherently distinctive and the more the famous mark is used exclusively, the more likely it will be diluted or "blurred" by use of an identical or similar mark. This is because continued use of the junior mark will necessarily impair, over time, the famous mark's association with the mark owner and/or the various brand attributes that the mark owner has built up in the mark. This is the essence of blurring.

Let us take Intel's PENTIUM mark as an example. (I use PENTIUM as an example not to promote it here as a famous mark, but rather because I do not presume to borrow another company's mark for this example.) Assume that PENTIUM, one of Intel's premium brands for microprocessors, is a mark that is "widely recognized by the general consuming public of the United States." Intel is in the computer industry, and the PENTIUM brand has brand attributes that include cutting-edge technology, premium performance, and integrity. If a third party were to adopt the PENTIUM mark for real estate brokerage services or sportswear, not only would the singular association between Intel and its PENTIUM brand be lost over time, but its brand attributes would be blurred and dampened by the brand attributes of the decidedly un-high-tech brokerage services and/or sportswear ? consumers would learn over time to distinguish between the different PENTIUM brands, their sources, and their brand attributes. In short, dilution would be highly likely, even if the impairment to the PENTIUM mark takes years to manifest. As noted earlier, the point is to stop the impairment before the damage is done.

On the other hand, if a famous mark has little or no inherent distinctiveness and is commonly used by numerous companies such that consumers have learned to understand that the mark is associated with multiple companies and multiple brand attributes, *e.g.*, AMERICAN, then it is unlikely that the famous mark will be blurred by yet another use. This is precisely because consumers have already learned to distinguish between the multiple marks and their brand attributes.

INTA did consider whether the standard for blurring should be impairment of “uniqueness” or “singularity,” particularly given that the ultimate harm that occurs when a mark is blurred could arguably be described, as least in part, as impairing the singularity of the mark’s association with a single source. However, INTA believes this approach is flawed for several reasons.

- First, the damage done by blurring is not merely the impairment of the famous mark’s singular association with its source. There is also the impairment of the famous mark’s association with particular brand attributes.
- Second, proving impairment of a famous mark’s association with a single source would raise the same sorts of proof problems that we have under today’s standard – the harm is not measurable until long after the damage has been done.
- Third, neither “singularity” nor “uniqueness” have any established meaning in trademark jurisprudence and could be subject to serious misinterpretation. In particular, courts might require the famous mark to be literally unique or singular. If a mark must be unique or singular in order to be blurred, courts may end up finding that a mark must be a coined term to qualify for protection, or they may find that any evidence of third party use, no matter how localized or *de minimus*, will prevent a finding of dilution.

INTA believes that the best means of expressing what needs to be proved by a plaintiff in a blurring case is an impairment of the distinctiveness of the mark. “Distinctiveness” is well-understood in the trademark jurisprudence, and any other formulation would be subject to dangerous misinterpretation. Mr. Chairman, your bill takes the right approach here.

3. Blurring Factors

INTA believes that factors would assist courts in determining whether there is likely to be an impairment of the distinctiveness of the famous mark, and accordingly agree with H.R. 683’s list of non-exclusive factors. Without factors, we are likely to end up with even more judicial division and inconsistency.⁴⁰ The factors in H.R. 683 comport

⁴⁰ Those circuit courts that have provided lists of factors for the district courts in their circuits have come up with wildly divergent lists, highlighting the need for greater national consistency in the application of factors for a determination of dilution. For example, the Seventh Circuit has held that only two factors are relevant to a finding of blurring – the similarity of the marks and the renowned of the famous mark, *Eli Lilly & Co. v. Natural Answers, Inc.*, 233 F.3d 456, 466 (7th Cir. 2000) – whereas the Second Circuit has held that, among the relevant factors are the degree of distinctiveness of the senior mark; the similarity of the marks; the proximity of the products and likelihood of bridging the gap; the interrelationship among the distinctiveness of the senior mark, the similarity of the junior mark, and the proximity of the products; the extent of overlap among the parties’ consumers and the geographic reach of their products; the sophistication of consumers; the existence of any actual confusion; the adjectival or referential quality of the junior use; the potential harm to the junior user and the existence of undue delay by the senior user; and

with decades of dilution decisions in state and, more recently, federal courts. A court will need to balance all of these factors, as well as any others relevant to the question of blurring, in order to make a determination as to whether there is a likelihood of dilution by blurring. As noted above, all of these factors go to the question of whether the famous mark's distinctiveness in the marketplace will be blurred by the junior use. The factors proposed in your bill, Mr. Chairman, are:

- (1) The degree of similarity between the junior use and the famous mark.
- (2) The degree of inherent or acquired distinctiveness of the famous mark.
- (3) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (4) The degree of recognition of the famous mark.
- (5) Whether the junior user intended to create an association with the famous mark.
- (6) Any actual association between the junior use and the famous mark.

Factor one is self-evident and refers to step one of the blurring analysis: How similar are the two marks? The less similar the marks, the less likely a consumer association between the marks; the more similar the marks, or if they are identical, the more likely it is that the junior mark will impair the association of the senior mark with its source and/or its particular brand attributes.

The second factor is the degree of inherent or acquired distinctiveness of the famous mark. The more inherently distinctive and memorable the mark, the more it is likely to be blurred by the use of other identical or similar marks. The more descriptive the mark, the less likely it is to be blurred by uses of identical or similar marks.

Factor three, the extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark, asks the court to determine whether other similar or identical trademarks already exist in the marketplace such that consumers already have learned to associate the mark with multiple sources and/or sets of brand attributes. If, for example, the famous mark is in substantially exclusive use, it would indicate that the mark's distinctiveness is more likely to be impaired by the junior use. Conversely, where other similar marks are already in wide use and have been over a lengthy period of time, it may be less likely that the junior use will have the effect of blurring the famous mark, unless those uses have little or no visibility to the average consumer. In sum, the mark need not be unique in the marketplace in order to qualify for dilution protection, but it cannot be common either.

Factor four, the degree of recognition, is another way of asking, "just how famous is the famous mark?" The more famous the mark, the more likely it will be memorable and the more likely that the association will impair the distinctiveness of the mark, *i.e.*, its association with a single source and/or a single set of brand attributes.

the effect of the senior user's prior laxity in protecting the mark. *Nabisco Inc. v. PF Brands Inc.*, 191 F.3d 208 (2d Cir. 1999).

The fifth factor considers whether the defendant intended to trade on the recognition of the famous mark. In such cases, the defendant presumably used the junior mark with the expectation that consumers would associate its mark with the famous mark. Such intent operates as an admission by the defendant that the senior mark has a sufficient degree of fame and marketplace distinctiveness such that the mark can be blurred, and that the defendant sought to appropriate that fame and distinctiveness to itself in order to direct consumers' attention toward its own business.

The last factor, actual association, refers to survey evidence and other evidence that association is actually occurring (*e.g.*, direct consumer association or confusion).

4. Dilution by Tarnishment

In light of the ambiguity created by the Supreme Court's *dicta* in the *Moseley* decision, INTA believes that it is important to expressly state in a revised federal dilution statute that tarnishment is within the scope of the law. Other than in cases that implicate free speech interests (discussed below), owners of famous trademarks should be able to protect their significant investment against negative associations. For example, Coca-Cola Co. should not have to have its reputation tarnished by the sale of powdered candy, designed to look like cocaine, in bottles that copy the famous undulating shape of Coca-Cola soda bottles.⁴¹ H.R. 683 would make explicit what is implicit in the current statute: courts should find liability for tarnishment if a junior use were likely to harm the reputation of the famous mark. This standard is used in state dilution statutes and most courts have capably adjudicated claims of tarnishment under this standard. We therefore support its inclusion.

C. Safeguarding Free Speech

When it adopted the FTDA in 1996, Congress did not want the statute to extend so far as to hinder legitimate First Amendment activity. Thus, Section 43(c)(4) of the Lanham Act was added to address such First Amendment concerns. Although the First Amendment obviously trumps a dilution claim, Section 43(c)(4) expressly lists specific activity that shall not be actionable as a claim for dilution:

- (A) Fair use of a famous mark by another person in comparative commercial advertising or promotion to identify the competing goods or services of the owner of the famous mark.
- (B) Noncommercial use of a mark.
- (C) All forms of news reporting and news commentary.

As expected, courts have used these defenses and the protections offered by the First Amendment to protect defendants from a broad application of the dilution laws.⁴²

⁴¹ *Coca-Cola Co. v. Alma-Leo U.S.A., Inc.*, 719 F. Supp. 725, 12 U.S.P.Q.2d 1487 (N.D. Ill. 1989).

⁴² *See, e.g., Mattel, Inc. v. MCA Records, Inc.*, 28 F. Supp. 2d 1120 (C.D. Cal. 1998), *aff'd* 296 F.3d 894, 905 (9th Cir. 2002) (The defendant's song "Barbie Girl" was intended to satirize the famous doll. The

Nevertheless, we agree with the approach taken in H.R.683, which provides more explicit language to support this trend in the case law and further assists judges by making clear which types of uses are not meant to be covered by the revised dilution statute. The bill expressly states that, as an essential element of the cause of action for dilution, whether for dilution by blurring or dilution by tarnishment, the plaintiff must demonstrate that the defendant is using the challenged mark or name as a “designation of source” for the defendant’s own goods or services.

“Designation of source” is an accepted term of art in trademark law that is easily understandable even outside the context of brand protection. The provision in H.R. 683 simply requires that, in order for a dilution case to proceed, the plaintiff must show that the defendant is using the challenged mark as a mark or name for his own company, goods, or services. This formulation is not only consistent with the theoretical underpinnings of dilution law – to prevent the use of the same mark on different goods or services in ways that would whittle away at the distinctiveness of the famous mark or tarnish the famous mark’s reputation – but also makes it clear that referential and other types of uses of famous marks, even if offensive or annoying, do not “dilute” the mark, though they may give rise to other causes of action (such as infringement, false advertising or unfair competition). Again, this supports the notion that dilution is meant to be a special remedy for only a narrow class of famous marks, and against only a narrow class of uses that are likely to impair the distinctiveness or harm the reputation of the famous mark, thereby decreasing the power of the brand.

A requirement of defendant’s use as a designation of source will protect descriptive fair uses⁴³ and nominative fair uses⁴⁴ from falling within the ambit of the revised statute.

court found the use to fall outside commercial use and noted in *dicta* that “the fact that defendant’s product makes a profit or is successful . . . does not affect the protections afforded to it by the First Amendment.”) *Id.* at 1154 n.54. *See also*, *Charles Atlas, Ltd. v. DC Comics*, 112 F. Supp. 2d 330 (S.D.N.Y. 2000) (The defendant created a comic vignette in one of its regular series of comics similar to that used for years by plaintiff in its advertisements. Although the dilution claim was dismissed because the statute of limitations had run out, the court noted that the claim would have failed anyway because the defendant’s comic strip was protected under the First Amendment, as the use was not to advance a competing product, but instead as part of a storyline used to convey an idea through an artistic work. The court also noted that the defendant’s strip included parody-like elements.).

⁴³ Descriptive fair use (or classic fair use) is the use of a normal English word in its normal English meaning to describe one’s own product or service. *E.g.*, *Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond’s USA Co.*, 125 F.3d 38 (2d Cir. 1997) (phrase “seal it with a kiss!!” used in lipstick advertising was a fair use notwithstanding plaintiff’s registered mark SEALED WITH A KISS for lip gloss); *Citrus Group, Inc. v. Cadbury Bevs., Inc.*, 781 F. Supp. 386 (D. MD. 1991) (advertisement using phrase “your main squeeze” for soft drinks was fair use notwithstanding plaintiff’s registered mark MAIN SQUEEZE for fruit juice drinks); *Wonder Labs, Inc. v. Procter & Gamble Co.*, 728 F. Supp. 1058, 1062-64 (S.D.N.Y. 1990) (phrase “Dentists’ Choice” in toothpaste advertising is a fair use notwithstanding plaintiff’s trademark DENTIST’S CHOICE for toothbrushes).

⁴⁴ Nominative fair use is when the alleged infringer uses the plaintiff’s mark to refer to the plaintiff or the plaintiff’s goods. It generally applies (a) where the mark is reasonably needed to identify the mark owner’s goods or services, (b) where the use is not more than is needed to identify the mark owner’s goods or services, and (c) where there is no implication of endorsement. *See, e.g.*, *New Kids on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302 (9th Cir. 1992).

For example, a defendant using a famous mark to refer to the trademark owner's goods in comparative advertising, or a newspaper using the famous mark to refer to the mark owner's goods for purposes of news reporting or commentary, would not qualify as use as a designation of source for the defendant's own goods or services, and therefore would not be covered by the statute at all. Moreover, the requirement of use as a designation of source for the junior user's own goods or services should protect all legitimate parody and satire, even if that parody and satire appears in a commercial context (*e.g.*, a parody of a famous trademark in a magazine⁴⁵ or song⁴⁶). Uses of trademarks as a designation of source for a defendant's own goods or services in salacious or other tarnishing contexts, however, could be enjoined.

Some have questioned whether the "designation of source" requirement narrows protection against dilution too much or imposes too great a burden of proof on plaintiffs. While INTA certainly supports ample protection for famous trademarks and a cause of action that is reasonably provable, we do not feel that the "designation of source" requirement significantly impedes protection or proof.

- On the first point, the vast majority of cases that are removed from coverage by the "designation of source" requirement, would not be winnable in any event because the vast majority of uses that are not as a "designation of source" would be defensible as nominative or descriptive fair uses,⁴⁷ defensible parodies,⁴⁸ defensible non-commercial uses,⁴⁹ or otherwise defensible free speech.⁵⁰ To the

⁴⁵ *L.L. Bean, Inc. v. Drake Publishers, Inc.*, 811 F.2d 26 (1st Cir. 1987).

⁴⁶ *Mattel, Inc. v. MCA Records, Inc.*, 28 F. Supp. 2d 1120 (C.D. Cal. 1998), *aff'd* 296 F.3d 894, 905 (9th Cir. 2002).

⁴⁷ *E.g., Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's USA Co.*, 125 F.3d 38 (2d Cir. 1997) (descriptive fair use) and *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992) (nominative fair use).

⁴⁸ The clear humor in the defendants' portrayals of famous marks in the following cases exempted the defendants from dilution liability: *Tommy Hilfiger Licensing, Inc. v. Nature Labs, LLC*, 221 F. Supp. 2d 410 (S.D.N.Y. 2002) (line of dog perfumes poked fun at famous maker perfumes); *World Wrestling Fed'n Entm't, Inc. v. Dog Holdings, Inc.*, 280 F. Supp. 2d 413 (W.D. Penn. 2003) (merchandise poked fun at WWE stars); *Lyons P'ship, L.P. v. Giannoulas*, 14 F. Supp. 2d 947 (N.D. Tx. 1998) (sporting event entertainer poked fun at fake Barney the dinosaur character in skits with a Big Chicken character); and *Lucasfilm Ltd. v. Media Market Group, Ltd.*, 182 F. Supp. 2d 897 (N.D. Cal. 2002) (pornographic movie mocked Star Wars films and message of good versus evil).

The clear social commentary in the defendants' portrayals of famous marks in the following cases exempted the defendants from dilution liability: *Mattel, Inc. v. Walking Mountain Prod.*, 353 F.3d 792 (9th Cir. 2003) (artist's photographs depicting Barbie dolls being attacked by vintage kitchen appliances were social commentary on the Barbie image of beauty); *Mattel, Inc. v. MCA Records, Inc.*, 28 F. Supp. 2d 1120 (1998) (song mocking the Barbie doll image and the plastic values she purportedly represented); and *Dr. Seuss Enter. L.P. v. Penguin Book USA, Inc.*, 924 F. Supp. 1559 (S.D. Cal. 1996) (rhyming style of Dr. Seuss books used to convey author's criticism of the murder trial of O.J. Simpson).

⁴⁹ *See, e.g., Mattel, Inc. v. MCA Records, Inc.*, 28 F. Supp. 2d 1120 (C.D. Cal. 1998), *aff'd* 296 F.3d 894, 905 (9th Cir. 2002); *Charles Atlas, Ltd. v. DC Comics*, 112 F. Supp. 2d 330 (S.D.N.Y. 2000).

extent that the “designation of source” requirement creates difficulties in proving a cybersquatting case, the plaintiff has a clear remedy under the Anticybersquatting Consumer Protection Act of 1999.

- On the second point, we do not think making “designation of source” part of the plaintiff’s prima facie case inappropriately increases the burden on the plaintiff. Again, in the vast majority of cases, proving that the defendant is using as a designation of source will be easy, a simple matter of assertion. As noted above, “designation of source” is a well-understood term of art in trademark jurisprudence, and moreover is clear on its face – it’s a trademark, service mark, name, logo or other device used to indicate the source of goods or services. In those rare cases where the use itself is ambiguous, the burden on the plaintiff will be a bit higher, but not inappropriately so.

In sum, the “designation of source” requirement will ensure that dilution protection is clear and focused on dilution harm, and is appropriately balanced against First Amendment considerations. INTA therefore supports its inclusion in a revised dilution statute.

D. Relief and Preemption

1. Relief

H.R. 683 would continue to rely on an injunction as the principal form of relief in a federal dilution claim. The bill would also allow for the plaintiff to continue to be entitled to remedies set forth in Sections 35(a) (profits, damages, and cost of the action) and 36 (destruction of goods bearing the registered mark) of the Lanham Act, subject to the discretion of the court and the principles of equity, if willful intent is proven. One change from the existing statute is that the bill does specify that in order to recover damages, willful intent to trade on the recognition of the famous mark must be proved for blurring claims, and willful intent to trade on the reputation of the famous mark must be proved for tarnishment claims.

Another, perhaps more noteworthy change from the existing statute, is that H.R. 683 expressly addresses the question of retroactive application of the law. Because the FTDA is silent on the issue of retroactivity, and legislative history does not address whether the statute is retroactive in nature, there is presently a divided opinion on whether the statute should be applied retroactively to acts commenced prior to its January 16, 1996 enactment.⁵¹ H.R. 683 corrects this oversight. The bill provides that only injunctive

⁵⁰ *E.g. Am. Family Life Ins. Co. v. Hagan*, 266 F. Supp. 2d 682 (N.D. Ohio 2002) (involving political speech).

⁵¹ *See, e.g., Viacom, Inc. v. Ingram Enterprises, Inc.*, 141 F.3d 886 (8th Cir. 1998) (holding that that the FTDA can be applied to continuous, ongoing conduct that began before the enactment of the FTDA); *Circuit City v. Stores, Inc. v. OfficeMax, Inc.*, 949 F. Supp. 409 (E.D.Va. 1996) (holding that the FTDA

relief is available to the owner of a famous mark where a person has adopted and used a designation of source in commerce prior to the date of enactment of the bill.

INTA agrees with this approach. Conduct arising before the enactment of H.R. 683 should not be penalized with compensatory damages, which are available under the bill where the court finds that the dilution was “willful,” because damages are “quintessentially backward looking.”⁵² Injunctive relief, however, is a prospective remedy, and a plaintiff seeking such relief can look to the defendant’s ongoing conduct in order to determine whether an injunction is appropriate.⁵³ We do stress our belief that a finding of prospective relief should still be contingent upon fairness and equity.

2. Preemption

INTA believes that a federal dilution statute should not preempt state dilution laws because preemption would adversely affect the availability of relief for intrastate and regional conduct to the extent permitted under state dilution laws. A valid federal registration should, however, be a complete bar to a state dilution claim. This is the current law under the FTDA and it would remain unchanged by H.R. 683. We agree.

V. Conclusion

Thank you, Mr. Chairman, for the opportunity to testify before the subcommittee. INTA looks forward to working with you to pass H.R. 683.

should not be applied retroactively because it would upset “settled expectations” and the vested property interests of the defendants).

⁵² *Landgraff v. USI Film Products*, 114 S. Ct. 1483, 1506 (1994); *see, also, Casa Editrice Bonechi S.R.L. v. Irving Weisdorf & Co.*, 46 U.S.P.Q.2d 1725, 1726-27 (S.D.N.Y. 1998) (citing *Landgraff*)

⁵³ *See, Viacom, Inc. v. Ingram Enterprises, Inc.*, 141 F.3d 886 (8th Cir. 1998); *see, also, Fuente Cigar, Ltd. v. Opus One*, 985 F. Supp. 1448 (M.D. Fla. 1997) (allowing anti-dilution claim against conduct occurring before the FTDA enactment, because awarding prospective relief does not constitute retroactive application).

Curriculum Vitae

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Anne Gundelfinger serves as Associate General Counsel for Intel Corporation, located in Santa Clara, California.

Ms. Gundelfinger received her B.A. from the University of Virginia and her J.D. from the Boston University School of Law. She is admitted to practice in California, Pennsylvania and the District of Columbia, as well as before the U.S. Ninth Circuit Court of Appeals and the U.S. Supreme Court. Ms. Gundelfinger is responsible for Intel's trademark protection and enforcement world wide, as well as general legal support to Intel's worldwide Sales & Marketing Group, including advertising, intellectual property and competition law.

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Disclosure of Grant, Contract or Subcontract

The subcommittee is hereby informed that the International Trademark Association has received no federal grant, contract, or subcontract in the current and preceding two fiscal years.